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Missouri State Employees' Retirement System

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1988

Missouri State Employees' Retirement System

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1988

M. Steve Yoakum,
Executive Director

Gary Irwin,
Chief Accountant

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Introductory Section

Letter of Transmittal

October 14, 1988

The Board of Trustees
Missouri State Employees'
Retirement System
Jefferson City, MO 65101

The annual report of the Missouri State Employees' Retirement System (MOSERS') for fiscal year ended June 30, 1988, is submitted herewith. This comprehensive report is designed to comply with the provisions of Sections 104.480 and 105.661 of the Revised Statutes of Missouri (RSMo) as amended and includes the Retirement System's financial statements, summaries of the actuarial reports and statistical tables. We trust that you and the other members of the System will find this annual report helpful in understanding your retirement system—a system which continues to maintain a strong and positive financial future.

Revenues

State contributions and investment income provide the reserves needed to finance retirement, life insurance, health and disability benefits. The MOSERS' retirement contribution rate for fiscal year 1988 was 12.1031 percent of the membership payroll as compared to 10 percent for fiscal year 1987. Revenues for the retirement plans for fiscal year 1988 totaled $210,872,798 and the insurance plans' revenues totaled $67,222,218.

Expenses

MOSERS' was established by state law in September 1957 to provide retirement benefits to qualified members and their beneficiaries. Later, life insurance, health and disability benefits were added. The cost of providing these benefits includes recurring benefit payments as designated by the plans, refunds of contributions to all members, and the cost of administering the System. Expenses of the retirement plans amounted to $49,874,340 while expenses of the insurance plans for fiscal year 1988 totaled $74,961,328.

Investments

In accordance with the Revised Statutes of Missouri (RSMo), the Board of Trustees has established a policy which requires that the funds be invested in conformity with the "prudent person rule." The "prudent person rule" permits the fund to establish an investment policy based upon certain investment criteria and allows for delegation of investment authority to professional investment advisors. The statement of investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment

advisors are to execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

Funding

The MOSERS' funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated and the greater the investment potential. As evidenced in this report, MOSERS' continues in excellent financial condition.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services essential to the effective and efficient operation of MOSERS'. The certified public accountants' opinion and the actuarial certification are included in this report. The consultants appointed by the Board are listed on page 10 of this report.

Acknowledgments

This report is a product of the combined effort of the MOSERS' staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for evaluating responsible stewardship of the funds of the System.

This report is provided to the Governor, Auditor, the Joint Committee on Public Employee Retirement of the General Assembly and to all the state agencies. These agencies form the link between MOSERS' and its members and their cooperation contributes significantly to the success of MOSERS'. We hope the agencies and their employees find this report informative and useful.

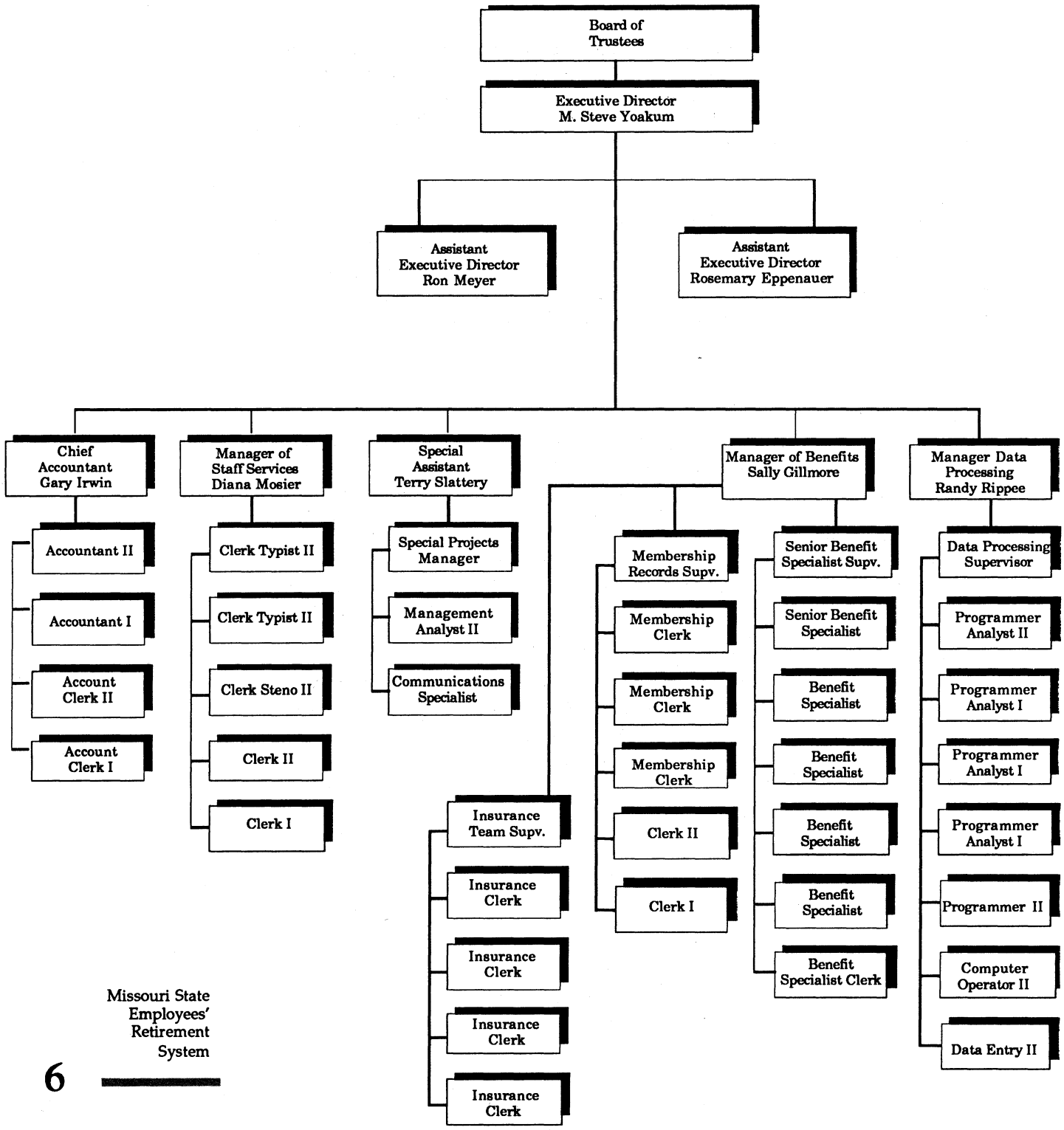
On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff, the advisors and to the people who have worked so diligently to assure the successful operation of the System.

Respectfully submitted,



M. Steve Yoakum,
Executive Director

Administrative Organization



Organization of MOSERS'

The Executive Director and the Assistant Executive Directors are responsible for the operation of the MOSERS' office. The Executive Director is accountable to the Board and works with the Board as well as with the actuaries, benefit consultants, the investment consultant and the investment managers. The MOSERS' office has 46 employees and is divided into five sections.

❖ **Accounting**—Responsible for all financial records of the programs administered by MOSERS', including preparation of financial, statistical and investment reports. Accounting performs the purchasing function for MOSERS', as well as interfaces with the investment consultant, investment managers, Office of Administration Accounting, various payroll/personnel departments and accounting offices of Health Maintenance Organizations, life insurance companies, actuaries, banks and the IRS. The Chief Accountant is responsible for the accounting section.

❖ **Benefits**—This division is divided into three units: Benefit Specialists, Membership Records and the Insurance Team. Benefit Specialists are responsible for the administration of all aspects of the benefit program as it relates to members of the System including conducting educational meetings throughout the state. Membership Records is responsible for establishing and maintaining all records of MOSERS' membership, including files, preparation and verification of data entered into the computerized data base. The Insurance Team verifies any out-of-balances pertaining to monies expected for all insurance plans. They also generate and record all direct billing invoices. The Manager of Benefits is responsible for the benefits section.

❖ **Data Processing**—Using an IBM System 38 computer, this section provides all computer and technical design support for MOSERS' programs. Data Processing is responsible for establishing and updating computer programs to implement plan changes. The Manager of Data Processing is responsible for this section.

❖ **Special Services**—Special Services analyzes legislation to determine the impact on MOSERS', initiates activities required to implement legislation, tests data processing programs, develops technical manuals, maintains an on-going communications program, and prepares and reviews contract and bid proposals. The Special Assistant to the Executive Director is responsible for this section.

❖ **Staff Services**—Responsible for providing clerical support for all Missouri State Employees' Retirement System personnel. The Manager of Staff Services also acts as secretary to the Board of Trustees and coordinates all the Board activities and serves as MOSERS' Personnel Officer. The Manager of Staff Services is responsible for the activities of this section.

Although each section performs different job responsibilities, all the employees of the Retirement System work together to better serve our members.

Board of Trustees

Jane Bierdeman-Fike
Board Chairperson
Director of Social Services
Fulton State Hospital
Elected Active Member
Term expires 12/31/90
Benefits Committee—chairperson
Personnel Committee

Gail Chatfield
Vice Chairman
State Representative
House of Representatives Member
Term expires 12/31/88
Benefits Committee
Legislative Committee
Medical Care Plan Committee

Wendell Bailey
State Treasurer
Ex-Officio Member
Investments Committee
Budget/Audit Committee

H. Lee Capps
Director of Personnel
Governor Appointed Member
Term expires 1/9/89
Medical Care Committee—chairman
Benefits Committee
Budget/Audit Committee
Personnel Committee

Joseph Dietrich
Elected Retired Member
Term expires 12/31/90
Personnel Committee—chairman
Benefits Committee

Jerry Hunter
Director of Labor and Industrial Relations
Governor Appointed Member
Term expires 1/9/89
Investment Committee
Personnel Committee

Ronald Larkin
Director of Operations
State Courts Administrators Office
Elected Active Member
Term expires 12/31/90
Investment Committee
Benefits Committee
Legislative Committee
Medical Care Plan Committee

Mike Lybyer
Senator
Senate Member
Term expires 12/31/90
Investment Committee
Legislative Committee

Gladys Marriott
State Representative
House of Representatives Member
Term expires 12/31/88
Legislative Committee—chairman
Budget/Audit Committee
Personnel Committee
Medical Care Plan Committee

John Pelzer
Commissioner of Administration
Ex-Officio Member
Investment Committee—chairman
Budget/Audit Committee

Richard Webster
Senator
Senate Member
Term expires 12/31/90
Budget/Audit Committee—chairman
Benefits Committee
Legislative Committee
Medical Care Plan Committee

Letter from the Chairperson

October 1, 1988

Dear Members:

On behalf of the Board of Trustees, I am pleased to present to you the Missouri State Employees' Retirement System (MOSERS') Annual Report for fiscal year ending June 30, 1988. In contrast to 1986-87 which was a period of major Board and staff reorganization, I am pleased to report that this past year has been a time of stability, consolidation and steady progress.

Despite the October '87 stock market activity, our pension fund remains in a healthy condition. Our investment policy of using multiple money managers with contrasting investment styles protected us from sustaining any appreciable losses.

Also, the Investment Committee, under the chairmanship of Commissioner of Administration, John A. Pelzer, devoted considerable time and study to the implementation of Senate Bill 20 which requires MOSERS' to invest three to five percent of the System's assets in small business or venture capital in Missouri. Through the State bidding process, the Board selected The Kirk Organization of St. Louis to develop policy guidelines, screen applicants and make recommendations for Board investment. By this action, the Board continues its long-standing practice of using reputable, impartial consultants and money managers to screen and select investments within Board policy and guidelines. This enables the Board to discharge its fiduciary responsibility in an objective, nonpartisan climate.

The Legislative Committee under the chairmanship of Representative Gladys Marriott, recommended that legislation be written to increase the benefit formula from 1.33% to 1.50%. The legislation passed and was signed by the Governor increasing benefits for all members effective August 13, 1988. As a result, all current retirees as well as future retirees, will benefit from this fiscally-sound increase.

Through other legislation, Lincoln University staff and staff members from five other state universities, including Missouri Southern and Missouri Western, were added to the MOSERS' membership. This added approximately 2,750 members.

Recognizing the severe crisis that exists nationally in the health care service delivery system and how this impacts on our State Medical Care Plan, the Board voted in July 1987 to add an Assistant Director in charge of Medical Plan issues to our staff. We hired Ron Meyer who holds a master's degree in Public Administration from the University of Missouri and who has extensive experience in health care management. Also, H. Lee Capps, Director, Division of Personnel, who was reappointed to the Board in January 1988 by Governor Ashcroft, accepted chairmanship of the Board's Special Health Care Committee. The Committee has been and will continue to develop innovative strategies to protect our members and their families as well as institute necessary cost containment measures.

In conclusion, the Board of Trustees and staff have been very happy to serve you during the past year and will strive to continue our progress during the coming year. I assure you that we will always be responsive to your questions and concerns.

Sincerely yours,

Jane Bierdeman-Fike

Jane Bierdeman-Fike, chairperson
Board of Trustees

Consulting Services

Actuary
Gabriel, Roeder, Smith & Co.
Richard Roeder
Gary Findlay
Norman Jones
Detroit, Michigan

Auditors
Peat Marwick Main & Co.
Certified Public Accountants
Rick Corcoran
David Ristau
St. Louis, Missouri

Investment Consultant
Callan Associates, Inc.
James O'Leary
Dennis Grether
Chicago, Illinois

Equity Investment Advisors
Alliance Capital Management Corp.
Thomas Perkins
San Francisco, California

CFW Management Co.
Steve Palmer
Kansas City, Missouri

Delaware Investment Advisors
Richard Unruh
Philadelphia, Pennsylvania

Investors Research
Stephen Barney
Rolling Meadows, Illinois

Shields Asset Management
Jay Carr
John Larkin
White Plains, New York

Real Estate Investment Advisor
Eastdil Advisors, Inc.
Richard Miles
San Francisco, California

Fixed Income Investment Advisors
Centerre Trust Co.
Rollin Woltjen
Robert Franklin
St. Louis, Missouri

Loomis, Sayles & Co.
John de Beer
Boston, Massachusetts

Wentworth, Hauser & Violich
Bradford Hall
Paul Violich
San Francisco, California

Venture Capital Investment Advisors
First Chicago Investment Advisors
Bart Holaday
T. Bondurant French
Chicago, Illinois

The Kirk Organization
Lary Kirchenbauer
R. Michael Allen
St. Louis, Missouri

Insurance Consultant
Towers, Perrin, Forster & Crosby
Stephen Jackstadt
Scott Blackard
St. Louis, Missouri

Medical Claims Administrator
Blue Cross/Blue Shield of Missouri
Maurie Hausman
Jefferson City, Missouri

Medical Plan Investment Advisor
Investment & Capital Management
Peter Morrow
Rolling Meadows, Illinois

Summary of Plan Provisions

The Missouri State Employees' Retirement System (MOSERS'), established September 1, 1957, is governed by the statutes of the State of Missouri.

Purpose

MOSERS' provides retirement, survivor, disability, life insurance and medical benefits to its members in the most efficient and economical manner possible.

MOSERS' administers retirement benefits for State employees, including members of the Water Patrol, members of the General Assembly and Elected State Officials. MOSERS' is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the General Assembly and bears a fiduciary obligation to the State of Missouri, the taxpayers and the State employees who are its beneficiaries.

This is a summary of the provisions of Sections 104.310 through 104.800 of the Revised Statutes of Missouri (RSMo) as amended and does not amend or overrule any applicable statute or administrative rule, and in the event of a conflict, the applicable statutes or rule would apply.

Administration

The statutes provide that the administration of MOSERS' be vested in an 11-member Board of Trustees. The Board is comprised of:

- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House, appointed by the Speaker of the House
- Two members appointed by the Governor
- Three members of the system, two actives and one retiree, elected by the members
- The State Treasurer
- The Commissioner of Administration

The management of MOSERS' is the responsibility of the Executive Director who is appointed by the Board and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to the System and with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the System.

Retirement

Eligibility

Members who work in a position normally requiring at least 1,000 hours of work a year and who are not simultaneously accumulating creditable service under another retirement program supported by State contributions (other than Social Security) are eligible to participate in the Retirement Plan.

Unreduced Retirement Benefits

A member may retire with full benefits when he/she attains:

Age	Years Service
55	30 years
60	15 years
65	10 years
65	4 years*

*Must be retiring from active employment.

A member of the General Assembly may retire with full benefits when he/she attains:

Age	Service
55	5 biennial assemblies
60	3 biennial assemblies

Elected State Officials may retire with full benefits when he/she attains:

Age	Service
55	12 years
65	4 years

Uniformed members of the Water Patrol may retire with full benefits when he/she attains:

Age	Service
55	10 years
55	4 years*

*Must be retiring from active employment.

Early Retirement
(Actuarially reduced)

Members of MOSERS' may retire early with an actuarially reduced benefit at age 55 with 10 years of service. General Assembly members may retire early at age 55 with three biennial assemblies. Elected State Officials may retire early at age 55 with 10 years of service.

There are no early retirement provisions for uniformed members of the Water Patrol.

Benefit Formula

The benefit formula for members of MOSERS' is 1 1/3 percent of the average of the highest 36 consecutive months of salary times the years of creditable service. Legislation enacted for fiscal year 1989 increases the percentage used in the benefit formula to 1 1/2 percent effective August 13, 1988.

General Assembly members receive:

- $75 x number of biennial assemblies (3 or 4 biennial assemblies) or,
- $100 x number of biennial assemblies (5 to 9 biennial assemblies) or,
- $125 x number of biennial assemblies (10 or more).

Legislation enacted effective August 13, 1988 increases the amount General Assembly members receive to:

- $80 x number of biennial assemblies (3 or 4 biennial assemblies) or,
- $105 x number of biennial assemblies (5 to 9 biennial assemblies) or,
- $130 x number of biennial assemblies (10 or more).

Elected State Officials with less than 12 years of service as an elected official receive 1 1/3 percent of the average of their highest three consecutive calendar years of salary times years of creditable service. Legislation enacted for fiscal year 1989 increases the percentage used in the benefit formula to 1 1/2 percent effective August 13, 1988. Those officials with 12 or more years of service receive 50 percent of the statutory salary paid to the current elected official in the highest position which the retiree previously held.

Uniformed members of the Water Patrol receive 1 1/3 percent of the average of their highest 36 consecutive months of salary times years of creditable service. That amount is then increase by 33 1/3 percent to determine their normal retirement annuity. Legislation enacted for fiscal year 1989 increases the percentage used in the benefit formula to 1 1/2 percent effective August 13, 1988.

Creditable Service

Creditable service is a combination of the creditable prior service a member has accrued before becoming a member of MOSERS' and the years and full months of membership service the member has as a member of MOSERS'.

Creditable service is used in determining the amount of the member's benefit under the System.

Vesting is based on service which is recognized in determining the member's eligibility for benefits under the System.

Service	% Vested
5 years	50%
6 years	60%
7 years	70%
8 years	80%
9 years	90%
10 years	100%

Optional Forms of Payment

Retirement benefits are paid according to the election made by the member. Members may choose a life income annuity and receive a full benefit with no survivor option or the member may choose a 50-percent or 100-percent joint and survivor option. If the latter is chosen the benefit is actuarily reduced, and upon the members' death the survivor receives either 50 percent or 100 percent of the member's reduced benefit.

Members of the Department of Conservation, General Assembly and Elected Officials automatically receive a 50-percent survivor benefit without an actuarial reduction in their benefit.

Members of MOSERS' may also choose lifetime income with either 60 or 120 guaranteed payments. If the member dies before receiving the payments, the beneficiary receives the remaining payments.

Cost-of-Living Adjustments

Retired members receive annual cost-of-living adjustments (COLAs) equal to 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of four percent and maximum of five percent of the monthly benefit received the previous year.

Members receive a cumulative maximum of 65 percent of their base benefit in cost-of-living adjustments.

Survivor's Benefit

A survivor's benefit equal to 50 percent of the active member's accrued base benefit will be paid to the member's eligible spouse or unemancipated minor children if the member dies and has 10 or more years of service. As an alternative, members described below may elect 100 percent joint and survivor's income option benefit.

- Members actively employed with a minimum of 10 years of service who are at least age 55.
- Members who are age 65 or older and are actively employed with four years of service.

The 100 percent survivor's option benefit does not continue to children after the spouse's death.

Terminated vested members who are at least age 55 and who have 10 or more years of service are also eligible for a 100 percent survivor's benefit.

Contributions

MOSERS' is a non-contributory plan. Members are not required to make any contributions; the entire cost is paid by the State of Missouri. The contribution rate paid by the State for the 1988 fiscal year was 12.1031 percent of the membership payroll.

Long-term Disability

Members of MOSERS' in a position normally requiring 1,000 hours of work a year are covered under the Long-term Disability Plan, unless they work for a State agency which has its own long-term disability plan. Eligible employees receive 60

percent of their compensation minus primary Social Security, Workers' Compensation and Employer Provided Income. The benefit commences on the 181st day of disability or after sick leave expires, whichever occurs last. Benefits normally cease when the disability ends, when retirement benefits begin, or when the employee returns to work.

Life Insurance

Basic Life Insurance

Active employees covered under the MOSERS' life insurance plan receive $15,000 of Basic Life Insurance on the first of the month coinciding with or following the date of employment. The cost of Basic Life Insurance is paid by the State. Eligible members, who immediately retire from active employment, are provided $5,000 of Basic Life Insurance by the State—at no cost. Retired members may convert up to $10,000 to an individual policy with the insurance carrier at individual rates. Terminating employees may convert up to $15,000 of Basic Life Insurance at individual rates.

Optional Life Insurance

Members working for an agency covered under MOSERS' Optional Life Insurance Plan are eligible for Optional Life Insurance on the first of the month coinciding with or following their date of employment. Members are responsible for paying the entire cost of their Optional Life Insurance. The two options available are:

— Option A: Employee may elect 1, 2 or 3 times annual salary. The amount automatically increases or decreases each May 1 based on the preceding January salary.

— Option B: Employee may elect a flat amount not to exceed three times their annual salary.

Members who immediately retire from active employment may continue up to $5,000 of their Optional Life Insurance at the group rate and may convert their remaining Optional Life Insurance at individual rates. Legislation enacted for Fiscal Year 1989, effective August 13, 1988, increases the amount to $10,000 of Optional Life Insurance a member who immediately retires from active employment may continue at the group rate. Terminating employees may convert an amount up to the amount they had as an active employee at individual rates.

Medical Insurance

Active Employees

Members of MOSERS' working for an agency covered by the Medical Care Plan are eligible for medical care coverage on the first of the month following their date of employment. The annual deductible for an individual is $150, and the maximum deductible for family coverage is $450.

The Medical Care Plan pays 80 percent of the usual, customary and reasonable charges after the deductible is paid. Out-patient surgery is paid at 100 percent as is out-patient diagnostic X-ray and laboratory work. The yearly out-of-pocket maximum is $1,150 for an individual and $2,450 for a family. A maximum lifetime benefit of $500,000 is provided to each eligible member of the Plan.

Under the federal law COBRA, employees may choose to continue their medical coverage at termination of employment, unless eligible for Medicare or some other group health plan, but participants must pay the entire cost.

Retired Employees

Retiring employees may continue their medical care coverage if they have been covered under the Medical Care Plan for two years prior to termination or since they were first eligible for medical coverage. Retirees 65 or older and retirees eligible for Medicare due to a disability may select one of three supplemental medical care plans.

The three plans all coordinate with Medicare, but they differ in coverage and cost. The deductible for the individual and family is the same as the deductible for active employees.

HMO

Employees working for an agency covered under the MOSERS' Medical Care Plan who live in a Health Maintenance Organization (HMO) service area are provided the opportunity to enroll in either an HMO or the MOSERS' Medical Care Plan. HMO coverage is provided to employees living in the St. Louis, and Kansas City areas. In addition to those areas, Central Missouri employees will have an HMO alternative for fiscal year 1989. No annual deductible is charged, but co-payments are required for some medical treatments. The types of coverage and the costs vary with each HMO. During fiscal year 1988, as many as 10 HMOs were available to MOSERS' members.

Judges/Administrative Law Judges

MOSERS' also is responsible for the administration of the retirement, life insurance and medical benefits for judges and administrative law judges/legal advisors of the Division of Workers' Compensation. (Administrative law judges/legal advisors will hereafter be referred to as ALJs.) ALJs are eligible for MOSERS' Long-term Disability Plan, but judges are covered under their own disability plan. The benefits provided to judges and ALJs are funded separately. Judges' benefits are paid by the State on a pay-as-you-go basis, while the benefits for ALJs are funded by the State. The State contributed 24.98% of the ALJs payroll each month during fiscal year 1988.

Normal Retirement

Judges may retire at age 62. The benefit is based on the years and months of creditable service the judge has and the judges salary.

ALJs are eligible for normal retirement when they reach at least age 65 or when they have reached age 60 and have 20 or more years of service. The benefit is based on years and full months of service and salary.

Early Retirement

Judges with less than 15 years of service may elect retirement as early as age 60. Judges who retire between age 60 and 62 receive a benefit equal to the proportion of normal retirement benefits that the judges's service bears to 15 years.

There are no early retirement provisions for ALJs.

Benefit Formula

Judges with 12 or more years of service receive a monthly benefit of one-half the salary of a judge in the highest court in which the judge served at the time the judge retires from office. Judges with less than 12 years of

service receive a pro rata portion of the benefit described above.

ALJs with 12 or more years of service receive a monthly benefit of one-half of their average monthly salary, based on their highest annual salary. ALJs with less than 12 years of service receive a pro rata portion of the benefit described above.

Creditable Service

Creditable service is a combination of the creditable prior service accrued before becoming a member and the years and full months of service judges or ALJs have as a member of their respective retirement plans. Creditable service is used in determining the amount of the benefit under each retirement plan.

Cost-of-Living

Cost-of-living adjustments were not provided in fiscal year 1988. Beginning January 1, 1989, judges and ALJs may apply to become special consultants, thus providing annual cost-of-living adjustments.

Survivor's Benefit

The survivor benefit of an active judge or ALJ who had 12 or more years of service equals 50 percent of the benefit accrued to age 70. The survivor benefit of a terminated judge or ALJ is 50 percent of the accrued benefit. The benefit to the survivor of a retired judge equals 50 percent of the monthly retirement benefit.

Disability

Judges who become disabled receive one-half of their salary on the date of disability. The disabled judge receives benefits until his/her term expires.

ALJs are covered under the same Long Term Disability Plan as other members of MOSERS'.

Life Insurance

The Basic and Optional Life Insurance benefits provided to judges and ALJs are the same as those provided to other members of MOSERS' as described on page 14. Basic Life Insur-ance for retiring or termin-ating judges and ALJs ends on the date of termination of employment.

Retired judges and ALJs may convert Basic Life Insurance to an individual policy and pay the individual rate.

Medical Insurance

The medical insurance coverage provided to judges and ALJs is the same coverage provided to members of MOSERS' as described on pages 14 and 15.

Financial Section

Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
1010 Market Street
St. Louis, MO 63101

Independent Auditors' Report

August 26, 1988

Board of Trustees
Missouri State Employees' Retirement System
Jefferson City, Missouri 65101

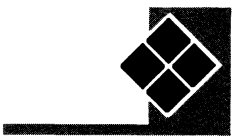
We have audited the general purpose financial statements of the Missouri State Employees' Retirement Sytem as of and for the year ended June 30, 1988, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Missouri State Employees' Retirement System, at June 30, 1988, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and supplementary information included in pages 35 through 44 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Missouri State Employees' Retirement System. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Peat Marwick Main & Co.



Pension Trust Funds
Combined Balance Sheet
June 30, 1988

ASSETS

Contributions Receivable			$ 9,594,393
Accrued Interest and Dividends			9,087,046
Accounts Receivable—Securities Sold			13,848,309
Investments; at Cost:			
Common Stocks	(Market Value $	614,949,356)	600,922,665
Preferred Stocks	(Market Value $	9,624,350)	9,145,181
Fixed Income	(Market Value $	406,145,463)	402,146,267
Real Estate	(Market Value $	93,344,117)	95,683,624
Venture Capital	(Market Value $	15,959,155)	15,584,438
Short-term Invests.	(Market Value $	141,234,749)	141,234,749
Total Investments	(Market Value	$ 1,281,257,190)	1,264,716,924
Office Building, Equipment & Fixtures, net of Accumulated Depreciation of $389,038			1,727,742
Total Assets			$ 1,298,974,414

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts Payable—Securities Purchased	$ 23,486,448
Collateral for Securities on Loan	52,422,217
Other	6,427,976
Total Liabilities	82,336,641
Fund Balance:	
Reserved Member Contributions	496,248
Unreserved for MO State Employees' Retirement (Unfunded Actuarial Liability $313,683,156)	1,213,509,696
Unreserved Admin. Law Judges Retirement (Unfunded Actuarial Liability $2,660,117)	2,631,829
Total Fund Balance	1,216,637,773
Total Liabilities and Fund Balance	$ 1,298,974,414

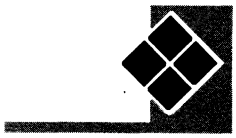
See accompanying Notes to the Financial Statements.



Pension Trust Funds
Combined Statement of Revenues, Expenses & Changes in Fund Balance
Year Ended June 30, 1988

REVENUES	
State Contributions	$ 148,994,756
Payments for Military Service Credit	596,649
State Reimbursements	9,084,452
Investment Income	52,170,367
Miscellaneous Income	26,574
Total Revenues	210,872,798
EXPENSES	
Retirement Benefits	40,403,573
Disability Benefits	1,767,075
Survivors' Benefits	1,365,209
Contribution Refunds	25,889
Administrative	6,312,594
Total Expenses	49,874,340
Revenues Over (Under) Expenses	160,998,458
Fund Balance July 1, 1987	1,055,639,315
Fund Balance June 30, 1988	$ 1,216,637,773

See accompanying Notes to the Financial Statements.



Pension Trust Funds
Combined Statement of Changes in Financial Position
Year Ended June 30, 1988

SOURCES OF WORKING CAPITAL	
Revenues Over (Under) Expenses	$ 160,998,458
Item Not Requiring Working Capital-Depreciation	111,779
Working Capital Provided From Operations	161,110,237
Investments Sold or Matured	1,117,076,659
Disposition of Fixed Assets	24,614
Total Sources of Working Capital	$ 1,278,211,510
USES OF WORKING CAPITAL	
Investments Purchased	$ 1,320,162,374
Equipment Purchased	74,369
Net Increase (Decrease) in Working Capital	(42,025,233)
Total Uses of Working Capital	$ 1,278,211,510
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL	
Current Assets:	
Contributions Receivable	$ 2,165,605
Short-term Investments	(6,323,176)
Accrued Interest and Dividends	273,412
Accounts Receivable-Securities Sold	(17,982,735)
Current Liabilities:	
Accounts Payable-Securities Purchased	4,542,850
Collateral for Securities on Loan	(27,509,888)
Other	2,808,699
Net Increase (Decrease) in Working Capital	$ (42,025,233)

See accompanying Notes to the Financial Statements.



Medical, Life & LTD Plans
Balance Sheet
June 30, 1988

ASSETS		
Contributions Receivable		$ 3,952,747
Accrued Interest and Dividends		65,007
Investments; at Cost:		
Fixed Income	(Market Value $5,245,925)	5,324,875
Short-term Investments	(Market Value $3,155,300)	3,155,300
Total Investments	(Market Value $8,401,225)	8,480,175
Total Assets		$ 12,497,929
LIABILITIES AND FUND BALANCES		
Liabilities:		
Medical Claims Payable		$ 12,241,384
Other		4,147,744
Total Liabilities		16,389,128
Fund Balance:		
Reserve For Basic Life Contributions in Excess of Funding Requirements		902,440
Reserve For Accumulated State Contributions		8,747,611
Reserve For Accumulated Employee Contributions/(Deficit)		(13,541,250)
Total Fund Balance (Deficit)		(3,891,199)
Total Liabilities and Fund Balance		$ 12,497,929

See accompanying Notes to the Financial Statements.



Medical, Life & LTD Plans
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 1988

REVENUES	
State Contributions	$ 33,613,800
Member Contributions	14,744,801
Investment Income	791,492
Miscellaneous Income	266,642
Insured Plans Premium Receipts	15,844,407
State Contributions Basic Life Plan	1,961,076
Total Revenues	67,222,218
EXPENDITURES	
Administrative	3,279,229
Medical Claims	54,210,305
Basic Life Benefits	16,000
Basic Life Premium Disbursements	1,611,387
Insured Plans Premium Disbursements	15,844,407
Total Expenditures	74,961,328
Revenues Over (Under) Expenditures	(7,739,110)
Fund Balance July 1, 1987	3,847,911
Fund Balance (Deficit) June 30, 1988	$ (3,891,199)

See accompanying Notes to the Financial Statements.



Medical, Life & LTD Plans
Statement of Changes in Financial Position
Year Ended June 30, 1988

SOURCES OF WORKING CAPITAL

Revenues Over (Under) Expenses	$ (7,739,110)
Investments Sold or Matured	13,139,043
Total Sources of Working Capital	$ 5,399,933

USES OF WORKING CAPITAL

Investments Purchased	$ 6,692,487
Net Increase (Decrease) in Working Capital	(1,292,554)
Total Uses of Working Capital	$ 5,399,933

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

Current Assets:	
Contributions Receivable	$ 186,060
Short-term Investments	1,950,102
Accrued Interest and Dividends	(163,119)
Current Liabilities:	
Medical Claims Payable	(2,298,042)
Other	(967,555)
Net Increase (Decrease) in Working Capital	$ (1,292,554)

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

June 30, 1988

(1) Plan Descriptions

MOSERS'

The Missouri State Employees' Retirement System (MOSERS') is a single-employer public employees' retirement system administered in accordance with Section 104.010 and 104.320 to 104.800 RSMo. As established under Section 104.320 RSMo "The Missouri State Employees' Retirement System shall be a body corporate and an instrumentality of the state. In the System shall be vested the powers and duties specified in sections 104.010 and 104.320 to 104.800 and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of sections 104.010 and 104.320 to 104.800." Responsibility for the operation and administration of the System is vested in the MOSERS' Board of Trustees.

Substantially all full-time State employees who are not covered under another State-sponsored retirement plan are eligible for membership in MOSERS'. On June 30, 1988, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	14,744
Current employees	41,944
Total	56,688

MOSERS' provides retirement, death and disability benefits to its members. Benefits for general State employees are 50 percent vested after five years of creditable service and fully vested after 10 years of creditable service (four years for elected officials and six years for legislators). Employees may retire at or after age 55 and receive a reduced benefit (or full benefits if they have 30 years or more of service).

The State of Missouri is required to make all contributions to the Plan. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest, are refunded to the member or designated beneficiaries upon location of the member.

Administrative Law Judges' Retirement System

The Administrative Law Judges' Retirement System (ALJRS') is a single-employer public employees retirement system administered in accordance with Section 287.812 to 287.855 RSMo. Responsibility for the operation and administration of the System is vested in the MOSERS' Board of Trustees.

Individuals appointed or employed as Administrative Law Judges or Legal Advisors of the Division of Workers' Compensation are eligible for membership in ALJRS'.

ALJRS' provides retirement, death and disability benefits to its members. Employees who retire on or after age 65 with 12 or more years of creditable service are eligible for a monthly retirement benefit equal to one-half of the highest salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement.

The State of Missouri is required to make all contributions under the plan.



On June 30, 1988, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6
Current employees	27
Total	33

Judicial Retirement Plan

The Judicial Retirement Plan provides retirement, death and disability benefits to those serving as judges in the State of Missouri. Retirement benefits for members of the judiciary are administered and paid by MOSERS'. Amounts paid are reimbursed monthly from appropriations of State funds and are not obligations of MOSERS'.

Supreme Court judges who are at least age 65 with eight or more years of creditable service in that capacity (or age 60 with 12 years of creditable service) are eligible for retirement benefits equal to one-half of the salary provided by law at the time of retirement. Other judges are eligible for retirement benefits at age 62 with 12 years of creditable service equal to one-half of the salary paid to the judge in the highest court served.

On June 30, 1988, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	232
Current employees	343
Total	575

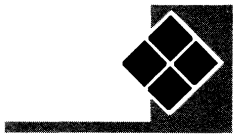
Missouri State Medical Care Plan

The Missouri State Medical Care Plan is funded by state and employee contributions and investment income and provides medical insurance for eligible members of the Missouri State Employees' Retirement System (except employees of the Department of Conservation, the Division of Employment Security, Highway Department, Highway Patrol and State Colleges and Universities), members of the Judicial Retirement Plan, legislators, statwide elected officials and certain members of the Public School Retirement System; basic life insurance for active employees of the aforementioned groups; and optional life insurance for active employees and retirees. Beginning January 1, 1986, eligible members were covered by the Long-term Disability Plan.

(2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the MOSERS', ALJRS' and Judicial plans were prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The financial statements of the Missouri State Medical Care Plan were prepared using the modified accrual basis of accounting, recognizing revenues when they become measurable and available and expenditures when the lia-



bility is incurred and measureable. Medical claims expense is recognized when claims are incurred as estimated by the plan's insurance consultant.

Cash

Cash balances represent both operating cash accounts and investment cash on deposit with the investment agent. To maximize investment income, the float caused by outstanding checks is invested thus causing a negative book balance. The negative book balance has been reflected in accounts payable.

Method Used to Value Investments

Investments are carried at cost subject to adjustment for market declines judged to be other than temporary. The cost of investments sold are determined using the average cost of that security. Bond premium and discount are not amortized and are recognized only upon sale or maturity of the related bonds. Amortization of bond premium and discount would not significantly affect total investment income. Dividend income is recognized based on dividends declared. Security transactions are accounted for on the trade date securities are purchased or sold. Net realized gains and losses on investments are included in investment income. Gains and losses on exchanges of fixed-income securities are recognized on a completed transaction basis.

Categories of Asset Risks

All investments are governed primarily by an investment authority known as the "prudent person rule." The "prudent person rule," as set forth by State statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The System's investments are categorized to give an indication of the level of risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or which are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments which are held by broker's or dealer's trust departments or agent in the System's name. Category 3 includes uninsured and unregistered investments which are held by the broker or dealer, its trust department, or agent, but not in the System's name. As of June 30, 1988, all investments of the System are classified in Category 1, which bears the least risk.

Office Building, Equipment and Fixtures

Office building, equipment and fixtures are capitalized at cost when acquired. Improvements which increase the useful life of the property are capitalized. Maintenance and repairs are charged to expenses as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets of 3 to 40 years.

(3) Funding Status and Progress

The amount shown as the "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going concern basis, assess progress being made in accumulating sufficient assets to



pay benefits when due, and allow for comparisons with other public employees' retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the plans.

The Pension Benefit Obligation was determined as part of an actuarial valuation of the System as of June 30, 1988. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.0% to 4.0% per year, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.5% per year after retirement.

MOSERS' Fund
(Dollars in Thousands)

Pension Benefit Obligation	
Retirees and beneficiaries currently receiving benefits	$ 370,133
Terminated employees not yet receiving benefits	31,596
Current Employees:	
Accumulated employee contributions including allocated investment income	496
Employer financed — vested	779,004
Employer financed — non-vested	85,504
Total Pension Benefit Obligation	1,266,733
Net assets available for benefits, at cost (Market Value $1,233,178)	1,214,006
Unfunded Pension Benefit Obligation	$ 52,727

During the year ended June 30, 1988, the MOSERS' plan experienced a net increase of $284.0 million in the pension benefit obligation. Of the increase, $85.7 million was attributable to changes in the benefit provisions and $106.4 million was attributable to the funding of an additional member group.

ALJRS' Fund
(Dollars in Thousands)

Pension Benefit Obligation	
Retirees and beneficiaries currently receiving benefits	$ 1,753
Terminated employees not yet receiving benefits	0
Current employees:	
Accumulated employee contributions including allocated investment income	0
Employer financed — vested	3,458
Employer financed — non-vested	0
Total Pension Benefit Obligation	5,211
Net assets available for benefits, at cost (Market Value $2,667)	2,632
Unfunded Pension Benefit Obligation	$ 2,579

During the year ended June 30, 1988, the ALJRS' plan experienced a net increase of $ .9 million in the pension benefit obligation. Of that increase $ .5 million was attributable to the changes in benefit provisions.

(4) Funding Policy

MOSERS' and the AL JRS' are pension plans covering substantially all State of Missouri employees and law judges and legal advisors of the Division of Workers' Compensation. The State of Missouri is obligated by State law to make all required contributions to the Plan. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The prior service costs are amortized over an initial amortization period of 40 years.

State contributions totaling $96,228,631 or 12.1031% of payroll and $359,066 or 24.98% of payroll were made to the Missouri State Employees' Retirement System and the Administrative Law Judges' Retirement System respectively, in accordance with the actuarially determined contribution requirements determined through the actuarial valuation.

The significant actuarial assumptions used to compute the actuarially determined employer contribution requirement are the same as those used to compute the Pension Benefit Obligation. The following are the significant changes which occurred in the current year and their percentage impact on the computed contribution rate for fiscal year 1990:

MOSERS'	% Change
Benefit increases	1.18
Members transferred from Public School Retirement System	0.30
Amortization of the unfunded accrued liabilities changed from level dollar to level percent of payroll	(0.57)

In addition, an amendment to the MOSERS' statutes sets the contribution rate at 9.9% unless total revenues (excluding unrealized appreciation of investments) is less than 375% of total expenses in any one year or until fiscal year 1993. The actuaries anticipate that each year this rate remains in effect, about 0.1% of payroll will be added to the long-term rate when level percent financing is resumed in fiscal year 1993. The Board of Trustees voted to adopt the 9.9% for fiscal year 1989.

ALJRS'	% Change
Amortization of the unfunded accrued liabilities changed from level dollar to level percent of payroll	(5.28)
Benefits increased	3.25
Other (primarily greater than expected additions to the retirement rolls)	1.30

The Missouri State Medical Care Plan is funded through both employer and employee contributions. Contribution rates are statutorily determined as a fixed dollar amount per month per eligible employee. Contributions totaling $48,358,601 were made to the Plan during the year in accordance with these requirements.

(5) Plan Termination

The Missouri State Employees' Retirement System and its related plans are administered in accordance with Missouri statutes. The statutes do not provide for termination of the plans under any circumstances.



(6) Required Supplementary Information

Ten year historical trend information designed to provide information about MOSERS' and its related plans' progress made in accumulating sufficient assets to pay benefits when due is presented on pages 32-34 as Required Supplementary Information. Certain required information is available for two years only, and is noted as such.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and ratios that use the pension benefit obligation as a factor.

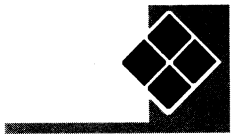
Looking at the pension benefit obligation, or the unfunded portion (or the assets in excess) of the pension benefit obligation, in isolation can be misleading. Expressing net assets available for benefits as a percentage of the pension benefit obligation, provides one indication of the extent to which a Public Employees' Retirement System (PERS) is funded. Analysis of this percentage over time indicates whether the PERS is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Expressing the unfunded pension benefit obligation (or assets in excess of the pension benefit obligation) as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of funding progress. Generally, the smaller the unfunded percentage, the stronger the PERS.

The following is a list of significant changes which have occurred during the 10 years presented, and should be considered when viewing MOSERS' data.

1980— Legislation was enacted which required funding the cost of living adjustments of members retiring after August 30, 1980. MOSERS' was given a three year time period to bring the funding in full compliance; therefore, the Board of Trustees implemented a graduated increase to comply with the legislation. By fiscal year 1983 those liabilities were included in the required actuarial determined contribution rate. Cost of living adjustments for those members who retired prior to September 1, 1980 remained on a "pay-as-you-go" basis.

1983— The actuarial valuation performed to determine the required contribution rate for fiscal year 1985 had the following significant changes expressed in both the dollar impact and the effect on the percentage of payroll:

	Dollar Amount	% of Payroll
Refinement of the funding method application	($5,417,672)	(1.9)
Actuarial gains	($1,181,084)	(.3)
Increase in covered payroll	($2,403,795)	(.4)



1984— The actuarial valuation performed to determine the required contribution rate for fiscal year 1986 had the following significant changes:

	Dollar Amount	% of Payroll
Increase due to benefit changes	$7,550,582	1.4

1986— The actuarial valuation performed to determine the required contribution rate for fiscal year 1988 had the following significant changes:

	Dollar Amount	% of Payroll
Funding of previously "pay-as-you-go" benefits	$ 9,610,413	1.46
Raising the cap on cost of living adjustments from 50% to 65% of the initial benefit	3,869,725	.63
Providing normal retirement at age 55 with 30 years of service	1,267,139	.20

1988— Legislation enacted setting the retirement contribution rate at 9.9% for fiscal years 1990 through 1993 unless total revenues (excluding unrealized appreciation of investments) is less than 375% of total expenses in any one year. The Board of Trustees voted to adopt the 9.9% beginning with fiscal year 1989.

Required Supplementary Information

For The Ten Years Ended June 30, 1988

MOSERS' Valuation (Dollars In Thousands)

Valuation Date	Pension Benefit Obligation PBO	Net Assets At Cost	Assets As a % of PBO	Unfunded (Assets in Excess of) Pension Benefit Obligation UFPBO	Active Member Payroll	UFPBO As a % of Active Member Payroll
June 30, 1988	$ 1,266,733	$ 1,214,006	95.8%	$ 52,727	$ 824,486	6.4%
June 30, 1987	982,736	1,053,361	107.2%	(70,625)	692,363	(10.2%)

Information prior to June 30, 1987 not available

ALJRS' Valuation (Dollars In Thousands)

Valuation Date	Pension Benefit Obligation PBO	Net Assets At Cost	Assets As a % of PBO	Unfunded Pension Benefit Obligation UFPBO	Active Member Payroll	UFPBO As a % of Active Member Payroll
June 30, 1988	$5,211	$2,632	50.5%	$2,579	$1,408	183.2%
June 30, 1987	4,086	2,278	55.8%	1,808	1,418	127.5%

Information prior to June 30, 1987 not available

MOSERS' Revenues By Source

Fiscal Year	Employer Contribution Rate	Employer Contribution Amount	Member Payments for Military Service Credit	State Reimbursement for Non-funded Benefits	Investment Income	Other	Total
1988	12.1031%	$148,635,690	$596,649	$9,084,452	$52,057,522	$26,469	$210,400,782
1987	10.0000%	71,969,009	143,670	15,238,962	185,051,476	(43,198)	272,359,919
1986	11.3328%	71,972,655	0	11,059,943	129,568,053	(10,051)	212,590,600
1985	10.5167%	58,295,102	0	9,845,857	70,642,944	(802,437)	137,981,466
1984	13.1000%	67,753,003	0	8,323,040	48,045,669	53	124,121,765
1983	12.0000%	57,166,556	0	7,779,495	58,007,997	716	122,954,764
1982	9.5000%	42,448,992	0	8,781,407	11,125,102	65	62,355,566
1981	9.5000%	43,736,642	0	7,046,677	27,464,519	153	78,247,991
1980	7.0000%	31,708,836	0	7,649,889	20,256,019	50	59,614,794
1979	7.0000%	27,855,235	0	2,018,871	15,288,142	98	45,162,346

Fiscal year 1988 employer contributions includes $52,407,059 for members transferring from the Public Schools Retirement System.



Required Supplementary Information (Cont.)

For The Ten Years Ended June 30, 1988

MOSERS' Expenses by Type

Fiscal Year	Benefits	Contribution Refunds	Administrative	Total
1988	$ 43,431,100	$ 25,889	$ 6,299,182	$49,756,171
1987	37,881,039	43,549	7,059,516	44,984,104
1986	30,832,582	473,921	5,584,410	36,890,913
1985	27,093,057	82,333	3,365,898	30,541,288
1984	23,450,927	141,315	2,513,718	26,105,960
1983	20,735,516	202,715	2,002,860	22,941,091
1982	18,038,756	1,806,642	755,814	20,601,212
1981	16,211,727	261,148	696,798	17,169,673
1980	15,281,397	5,035,863	561,596	20,878,856
1979	13,247,500	0	448,999	13,696,499

ALJRS' Revenues By Source

Fiscal Year	Employer Contribution Rate	Employer Contribution Amount	Funds Transfer From MOSERS	Investment Income	Other	Total
1988	24.9800%	$ 359,066	0	$ 112,845	$ 105	$ 472,016
1987	24.9800%	346,596	0	384,409	(89)	730,916
1986	24.9800%	255,229	0	246,517	(19)	501,727
1985	18.3733%	152,743	802,440	141,569	1	1,096,753

Plan established Fiscal Year 1985.

ALJRS' Expenses By Type

Fiscal Year	Benefits	Administrative	Total
1988	$ 104,757	$ 13,412	$ 118,169
1987	52,983	14,665	67,648
1986	11,412	10,624	22,036
1985	0	6,746	6,746

Plan established Fiscal Year 1985.



Required Supplementary Information (Cont.)

For The Ten Years Ended June 30, 1988

Financial Section

Insurance Plans Revenues by Source

Fiscal Year	Member Contributions	Investment Income	Employer Contributions	Other	Total
1988	$ 14,744,801	$ 791,492	$ 33,613,800	$ 18,072,125	$ 67,222,218
1987	13,697,408	1,180,017	26,841,381	14,743,260	56,462,066
1986	13,269,215	1,171,325	25,692,367	9,465,907	49,598,814
1985	11,637,144	1,262,153	24,407,725	3,757,028	41,064,050
1984	12,523,067	730,179	27,278,189	2,136,413	42,667,848
1983	10,367,535	643,710	20,125,221	804,458	31,940,924
1982	10,435,639	1,259,285	13,835,468	136,083	25,666,475
1981	8,418,658	1,350,531	13,556,242	0	23,325,431
1980	7,695,707	1,020,303	13,102,650	0	21,818,660
1979	9,040,354	476,940	7,112,813	0	16,630,107

Insurance Plans Expenses By Type

Fiscal Year	Medical Claims	Administration	Other	Total
1988	$ 54,210,305	$ 3,279,229	$ 17,471,794	$ 74,961,328
1987	41,705,334	2,725,664	14,046,802	58,477,800
1986	41,637,796	1,688,469	9,327,275	52,653,540
1985	32,380,372	1,341,813	4,034,152	37,756,337
1984	30,336,073	1,280,426	2,402,108	34,018,607
1983	34,235,254	1,138,745	1,139,458	36,513,457
1982	27,111,914	1,060,485	487,083	28,659,482
1981	24,614,104	819,086	305,000	25,738,190
1980	17,848,536	605,770	432,000	18,886,306
1979	13,794,907	482,526	273,000	14,550,433

MOSERS' Schedule of Refunds of Member Contributions

Year Ended June 30, 1988

Beginning Reserved Member Contributions	$ 498,712
Interest Added to Member Contributions	23,425
Contributions Refunded	(25,889)
Ending Reserved Member Contributions	$ 496,248



Pension Trust Funds
Cash Receipts and Disbursements Schedule
Year Ended June 30, 1988

Cash Receipts		
Employer and member contributions	$	138,375,588
State Reimbursements		9,661,487
Investment Income		56,914,228
Investments Sold		3,008,471,470
Miscellaneous Income		44,371
Sale of Fixed Assets		2,446
Securities Lending Receipts		2,208,752,668
Real Estate Notes Payable Receipts		1,816,625
Total		5,424,038,883
Cash Disbursements		
Benefit Payments		43,533,411
Contribution Refunds		25,889
Purchase Fixed Assets		62,946
Investments Purchased		3,188,475,437
Securities Lending Disbursements		2,181,242,780
Administrative Expenditures		6,188,671
Total		5,419,529,134
Net Increase in Cash		4,509,749
Cash Balance at Beginning of Year		(7,999,530)
Cash Balance at End of Year	$	(3,489,781)

See accompanying Auditors' Report



Insurance Plans
Cash Receipts and Disbursements Schedule
Year Ended June 30, 1988

Cash Receipts		
Employer and member contributions	$	65,912,939
Investment Income		954,611
Investments Sold		84,969,068
Miscellaneous Income		263,792
Total		152,100,410
Cash Disbursements		
Medical Claims Paid		51,928,029
Premium Disbursement to Outside Carriers		17,153,652
Investments Purchased		80,472,613
Administrative Expenditures		3,443,219
Total		152,997,513
Net Decrease in Cash		(897,103)
Cash Balance at Beginning of Year		(581,144)
Cash Balance at End of Year	$	(1,478,247)

See accompanying Auditors' Report

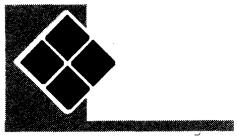


Pension Trust Funds
Combining Balance Sheet

June 30, 1988

	MOSERS'	ALJRS'	Combined
ASSETS			
Contributions Receivable	$ 9,564,852	$ 29,541	$ 9,594,393
Accrued Interest and Dividends	9,067,427	19,619	9,087,046
Accounts Receivable-Securities Sold	13,818,410	29,899	13,848,309
Investments; at Cost:			
Common Stocks	599,625,267	1,297,398	600,922,665
Preferred Stocks	9,125,436	19,745	9,145,181
Fixed Income	401,277,870	868,397	402,146,267
Real Estate	95,477,042	206,582	95,683,624
Venture Capital	15,550,791	33,647	15,584,438
Short-term Investments	140,929,822	304,927	141,234,749
Total Investments	1,261,986,228	2,730,696	1,264,716,924
Office Building, Equipment & Fixtures, net of Accumulated Depreciation of $389,038	1,727,742	0	1,727,742
Total Assets	$ 1,296,164,659	$ 2,809,755	$ 1,298,974,414
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accts Pay-Securities Purchased	$ 23,435,581	$ 50,867	$ 23,486,448
Collateral for Securities on Loan	52,309,037	113,180	52,422,217
Other	6,414,097	13,879	6,427,976
Total Liabilities	82,158,715	177,926	82,336,641
Fund Balance:			
Reserved Member Contributions	496,248		496,248
Unreserved MO State Empl. Retire.	1,213,509,696		1,213,509,696
Unreserved ALJ Retirement		2,631,829	2,631,829
Total Fund Balance	1,214,005,944	2,631,829	1,216,637,773
Total Liabil. and Fund Balance	$ 1,296,164,659	$ 2,809,755	$ 1,298,974,414

See accompanying Auditors' Report



Pension Trust Funds
Combining Statement Of Revenues, Expenses And Changes In Fund Balance

Year Ended June 30, 1988

	MOSERS'	ALJRS'	Combined
REVENUES			
State Contributions	$ 148,635,690	$ 359,066	$ 148,994,756
Payments for Military Service Credit	596,649	0	596,649
State Reimbursements	9,084,452	0	9,084,452
Investment Income	52,057,522	112,845	52,170,367
Miscellaneous Income	26,469	105	26,574
Total Revenues	210,400,782	472,016	210,872,798
EXPENSES			
Retirement Benefits	40,298,816	104,757	40,403,573
Disability Benefits	1,767,075	0	1,767,075
Survivors' Benefits	1,365,209	0	1,365,209
Contribution Refunds	25,889	0	25,889
Administrative	6,299,182	13,412	6,312,594
Total Expenses	49,756,171	118,169	49,874,340
Revenues Over (Under) Expenses	160,644,611	353,847	160,998,458
Fund Balance July 1, 1987	1,053,361,333	2,277,982	1,055,639,315
Fund Balance June 30, 1988	$ 1,214,005,944	$ 2,631,829	$ 1,216,637,773

See accompanying Auditors' Report



Pension Trust Funds
Combining Statement of Changes in Financial Position
Year Ended June 30, 1988

	MOSERS'	ALJRS'	Combined
SOURCES OF WORKING CAPITAL			
Revenue Over (Under) Expenses	$ 160,644,611	$ 353,847	$ 160,998,458
Item Not Requiring Working Capital-Depreciation	111,779	0	111,779
Working Capital Provided From Operations	160,756,390	353,847	161,110,237
Investments Sold or Matured	1,114,606,627	2,470,032	1,117,076,659
Disposition of Fixed Assets	24,614	0	24,614
Total Sources of Working Cap.	$ 1,275,387,631	$ 2,823,879	$ 1,278,211,510
USES OF WORKING CAPITAL			
Investments Purchased	$ 1,317,243,915	$ 2,918,459	$ 1,320,162,374
Equipment Purchased	74,369	0	74,369
Net Increase (Decrease) in Working Capital	(41,930,653)	(94,580)	(42,025,233)
Total Uses of Working Capital	$ 1,275,387,631	$ 2,823,879	$ 1,278,211,510
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL			
Current Assets:			
Contributions Receivable	$ 2,165,896	$ (291)	$ 2,165,605
Short-term Investments	(6,311,096)	(12,080)	(6,323,176)
Accrued Interest and Dividends	272,728	684	273,412
Accounts Receiv.-Securities Sold	(17,944,249)	(38,486)	(17,982,735)
Current Liabilities:			
Accts. Pay.-Securities Purchased	4,533,500	9,350	4,542,850
Collateral for Securities on Loan	(27,450,229)	(59,659)	(27,509,888)
Other	2,802,797	5,902	2,808,699
Net Increase (Decrease) in Working Capital	$ (41,930,653)	$ (94,580)	$ (42,025,233)

See accompanying Auditors' Report

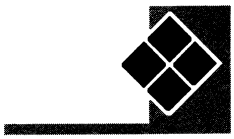


Schedule of Administrative Expenses

Year Ended June 30, 1988

	MOSERS'	ALJRS'	Insurance Plans
PERSONAL SERVICE			
Salaries	$ 574,863	$ 1,246	$ 389,077
Employee Fringe Benefits	144,483	313	97,562
Total Personal Service	719,346	1,559	486,639
PROFESSIONAL SERVICES			
Investment Services	5,119,019	11,097	34,840
Actuarial Services	95,136	206	56,976
Auditing Services	38,316	84	
Consulting Svcs. - Data Process.	0	0	680,862
Physical Examinations	13,300	28	0
Claims Admin. Services	0	0	1,884,805
Total Professional Services	5,265,771	11,415	2,657,483
COMMUNICATIONS			
Postage and Mailing	37,343	81	28,413
Telephone	11,156	24	4,622
Printing	24,139	52	21,492
Total Communications	72,638	157	54,527
BUILDING AND GROUNDS			
Depreciation	28,508	0	0
Utilities	13,096	29	8,028
Maintenance	19,509	42	2,337
Building Expansion	0	0	0
Rent	0	0	3,723
Total Bldg. and Grounds	61,113	71	14,088
EQUIPMENT			
Depreciation	83,271	0	0
Maintenance	37,112	80	69
Rental	44,378	96	840
Machine and Equipment	0	0	0
Reimbursement From Med. Plan	(47,055)	(102)	47,157
Total Equipment	117,706	74	48,066
TRAVEL AND MEETINGS			
Board Travel and Meetings	9,800	21	257
Staff Travel and Meetings	18,888	42	4,482
State Car	1,764	3	0
Total Travel and Meetings	30,452	66	4,739
GENERAL			
Educational Materials	373	1	0
Office Supplies	24,584	53	13,310
Subscriptions and Dues	5,357	12	327
Unemployment Benefits	0	0	0
Miscellaneous	1,842	4	50
Total General	32,156	70	13,687
Total Admin. Expenses	$ 6,299,182	$ 13,412	$ 3,279,229

See accompanying Auditors' Report



Pension Trust Funds
Schedule of Brokerage Commissions

Year Ended June 30, 1988

Invest. Brokerage Firms	No. of Transactions	No. of Shares	Commission Amount	Per Share Commis.
Merrill Lynch Pierce Fenner	1,532	5,104,654	$ 375,425.13	$ 0.07
Goldman, Sach & Co.	735	3,166,860	158,413.89	0.05
Shearson/Amer. Exp.	145	1,916,700	148,726.00	0.08
Alpha Management	145	2,314,800	143,776.00	0.06
Paine Webber Jackson Cnrt.	144	1,702,700	119,203.00	0.07
Bridge Trading	514	1,470,132	97,165.92	0.07
Kidder, Peabody & Co. Inc.	132	1,496,900	78,965.00	0.05
Ernst & Co.	308	765,400	59,605.50	0.08
First Boston Corp.	212	1,102,300	48,084.00	0.04
Salomon Brothers Inc.	106	889,600	47,381.00	0.05
Drexel Burnham Lambert	41	596,800	42,623.00	0.07
Lawrence (Cyrus J) Inc.	35	576,300	36,130.00	0.06
Sutro & Co. Inc.	234	509,000	35,630.00	0.07
Hutton EF & Co.	34	528,700	34,315.00	0.06
Witter, (Dean) Reynolds Inc.	46	404,200	32,926.00	0.08
Oppenheimer & Co. Inc.	38	431,900	31,132.00	0.07
Smith Barney, Harris	45	375,200	25,390.00	0.07
Donaldson, Lufkin & Jenre	3	697,000	23,820.00	0.03
Prudential Bache Sec.	33	329,200	22,981.00	0.07
Furman Selz	23	238,500	19,110.00	0.08
Jeffries & Co. Inc.	37	430,800	18,817.00	0.04
Bear, Stearnes & Co.	19	232,500	17,524.00	0.08
Wilshire Associates	12	282,500	16,950.00	0.06
Pershing & Co.	20	287,800	16,273.00	0.06
Morgan Stanley & Co. Inc.	33	420,910	15,716.00	0.04
Lewco Securities	20	277,700	14,700.00	0.05
Weeden & Co.	29	194,500	14,665.00	0.08
Fahnestock & Co.	12	190,200	11,412.00	0.06
Montgomery Securities	12	212,200	9,320.00	0.04
Cantor, Fitzgerald & Co.	7	164,000	9,000.00	0.05
Securities Settlement Corp.	6	114,500	8,315.00	0.07
Makefield Securities	11	135,000	8,100.00	0.06
Dillon, Read & Co. Inc.	11	130,300	7,398.00	0.06
Brean Murray Foster Sec.	7	83,000	6,640.00	0.08
Gruntal & Co.	7	69,300	5,544.00	0.08
Instinet	67	117,600	5,431.00	0.05
Jones & Associates	7	65,000	5,200.00	0.08
Others	156	1,284,963	75,823.00	0.06
TOTALS	4,978	29,309,619	$ 1,847,630.44	$ 0.06

Note: A detailed list of brokerage commissions paid is available for review as an appendix to this report at the MOSERS' Office.

See accompanying Auditors' Report.

MOSERS'

Investment Summary

For The Year Ended June 30, 1988

Type of Investment	July 1, 1987 Book Value	July 1, 1987 Market Value	Purchases	Sales and Redemptions	June 30, 1988 Book Value	June 30, 1988 Market Value	% Total Market	Projected Yield at Market (unaudited)
Fixed Income	$338,428,831	$338,444,255	$675,569,170	$(612,720,131)	$401,277,870	$405,268,066	31.70%	8.27%
Common Stocks	477,493,726	550,682,128	611,470,172	(489,338,631)	599,625,267	613,621,674	48.00%	3.52%
Preferred Stocks	5,095,555	5,316,703	6,961,810	(2,931,929)	9,125,436	9,603,570	0.75%	6.66%
Real Estate								
--Loan & Mort.	28,613,214	34,201,154	13,832	(5,302,520)	23,324,526	26,023,164	2.04%	5.51%
--Equity	60,445,967	55,834,790	15,905,354	(4,198,805)	72,152,516	67,119,624	5.25%	8.96%
Total Real Estate	89,059,181	90,035,944	15,919,186	(9,501,325)	95,477,042	93,142,788	7.29%	7.99%
Venture Capital --Limited Partnerships	8,341,824	8,477,878	7,323,577	(114,610)	15,550,791	15,924,699	1.25%	1.52%
Short-term Investments --Commercial Paper	147,240,918	147,240,918	1,924,129,831	(1,930,440,927)	140,929,822	140,929,822	11.02%	7.37%
Total Invests.	$1,065,660,035	$1,140,197,826	$3,241,373,746	$(3,045,047,553)	$1,261,986,228	$1,278,490,619	100.00%	5.62%

ALJRS'

Investment Summary

For The Year Ended June 30, 1988

Type of Investment	July 1, 1987 Book Value	July 1, 1987 Market Value	Purchases	Sales and Redemptions	June 30, 1988 Book Value	June 30, 1988 Market Value	% Total Market	Projected Yield at Market (unaudited)
Fixed Income	$728,632	$728,665	$1,502,346	$(1,362,581)	$868,397	$877,397	31.71%	8.27%
Common Stocks	1,028,036	1,185,610	1,348,148	(1,078,786)	1,297,398	1,327,682	47.99%	3.52%
Preferred Stocks	10,971	11,447	15,222	(6,448)	19,745	20,780	0.75%	6.66%
Real Estate								
--Loan & Mort.	61,604	73,635	32	(12,260)	49,376	55,089	1.99%	5.51%
--Equity	130,139	120,211	36,775	(9,708)	157,206	146,240	5.29%	8.96%
Total Real Estate	191,743	193,846	36,807	(21,968)	206,582	201,329	7.28%	7.99%
Venture Capital --Limited Partnerships	17,960	18,253	15,936	(249)	33,647	34,456	1.25%	1.52%
Short-term Investments --Commercial Paper	317,007	317,007	3,682,956	(3,695,036)	304,927	304,927	11.02%	7.37%
Total Invests.	$2,294,349	$2,454,828	$6,601,415	$(6,165,068)	$2,730,696	$2,766,571	100.00%	5.62%

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' Office.

See accompanying Auditors' Report.

Insurance Plans
Investment Summary
For The Year Ended June 30, 1988

Type of Investment	July 1, 1987 Book Value	July 1, 1987 Market Value	Purchases	Sales and Redemptions	June 30, 1988 Book Value	June 30, 1988 Market Value	% Total Market	Projected Yield at Market (unaudited)
Fixed Income								
-Government Bonds	$7,623,906	$7,528,900	$4,973,047	$(10,081,328)	$2,515,625	$2,487,655	29.61%	7.74%
-Corporate Bonds	4,147,525	4,035,625	1,719,440	(3,057,715)	2,809,250	2,758,270	32.83%	9.03%
Total Fixed Income	11,771,431	11,564,525	6,692,487	(13,139,043)	5,324,875	5,245,925	62.44%	8.42%
Short-term Investments -Commercial Paper	1,205,198	1,205,198	73,780,126	(71,830,024)	3,155,300	3,155,300	37.56%	7.10%
Total Investments	$12,976,629	$12,769,723	$80,472,613	$(84,969,067)	$8,480,175	$8,401,225	100.00%	8.18%

Pension Trust Funds
Ten Largest Investment Holdings
June 30, 1988

Shares	Description	Cost	Market	% of Market
107,000	IBM Corp. Commom	$ 13,913,963	$ 13,629,125	1.11%
234,600	GTE Corp. Common	9,414,282	9,178,725	.75
319,500	AT & T Corp. Commom	8,886,239	8,546,625	.70
246,000	Contel Corp. Common	7,819,348	8,487,000	.69
193,400	Mobil Corp. Common	8,490,382	8,412,900	.69
172,300	Tenneco Inc. Common	7,367,979	8,227,325	.67
170,100	Eastman Kodak Co. Common	7,629,703	7,697,025	.63
115,600	Unisys Corp. $3.75 Convertible PFD Ser. A	6,977,031	7,456,200	.61
80,000	DuPont E I DeNemours & Co. Common	6,983,538	7,430,000	.61
92,700	General Motors Corp. Common	6,708,411	7,427,588	.61
	Totals	$ 84,190,876	$ 86,492,513	7.07%

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' Office.

See accompanying Auditors' Report.

Pension Trust Funds
Investment Service Fees
Year Ended June 30, 1988

Investment Advisors' Fees	
Fixed Income Advisors	$ 954,737
Equity Advisors	2,725,183
Real Estate Advisors	777,343
Venture Capital Advisors	222,290
Total Investment Advisors' Fees	4,679,553
Other Investment Service Fees	
Custodian Fees	269,192
Securities Lending fees	181,371
Total Investment Service Fees	$ 5,130,116

Insurance Plans
Investment Service Fees
Year Ended June 30, 1988

Investment Advisors' Fees	
Fixed Income Manager	$ 32,065
Other Investment Service Fees	
Custodian Fees	2,775
Total Investment Service Fees	$ 34,840

See accompanying Auditors' Report

Actuarial Section

GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

200 Globe Building • 407 East Fort • Detroit, Michigan 48226 • 313-961-3346

Actuary's Certification

November 4, 1988

The Board of Trustees
Missouri State Employees'
Retirement System
Jefferson City, MO 65101

The prime financial objective of MOSERS' has been to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Missouri citizens.

In order to determine MOSERS' present reserve position and level contribution rates for the future, annual actuarial valuations are made. The latest completed actuarial valuation is based upon data and assumptions as of June 30, 1988. Conditions and results are shown on our report.

Assumptions concerning future financial experiences are needed for an actuarial valuation. These assumptions are established by the Board after consulting with the actuary. The assumptions are unchanged from a year ago.

Level percent financing was interrupted by a state law enacted in 1988. For the four years beginning with fiscal year 1989 the employer contribution rate has been set at 9.9% of payroll, which is less than the level percent rate.

When level percent financing resumes in four years, the long-term level percent contribution rate will be higher than would have been the case in the absence of the law.

Results of the 1988 actuarial valuation indicated that actuarial accrued liabilities are approximately 80% covered by assets, a very strong reserve position.

Respectfully submitted,

Gary W. Findlay

Richard G. Roeder

Summary of Actuarial Assumptions

Economic Assumptions

1. The investment return rate used in the valuations was 8.0 percent per year, compounded annually (net after investment expenses). This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time.

2. Pay increase assumptions for individual active members are shown for sample ages on page 48. Part of the assumption for each age is for merit and/or seniority increase, and the other 5.0 percent is for recognized wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

3. The active member payroll is assumed to increase 5.0 percent annually, which is the portion of the individual pay increase assumptions attributable to inflation.

4. The number of active members is assumed to continue at the present number.

Non-economic Assumptions

5. The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the Unisex Pension 1984 Mortality Table with no age adjustment for men and a six year age setback for women. This assumption is used to measure probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

6. The probabilities of age and service retirement are shown on page 48.

7. The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages on page 48. For disability retirement, impaired longevity was recognized by basing benefit values on an adjusted age midway between attained age and normal retirement age.

8. An entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments, (principal and interest) which are level percent of payroll contributions.

9. Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.

10. The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

11. The actuarial valuation computations were made by or under the supervision of a member of the the American Academy of Actuaries (MAAA).

Schedule 1

MOSERS'
Percent of Active Eligible Members Retiring Within Year

Retirement Ages	Percent Men	Women
58	2	3
62	20	25
66	35	35
70 +	100	100

Schedule 2

MOSERS'
Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

Sample Ages	Years of Service	% of Active Members Withdrawing within Next Year Men	Women	Individual Pay Increases
all	0	30.0%	28.0%	
	1	18.0	16.0	
	2	15.0	13.0	
	3	12.0	10.0	
	4	10.0	8.0	
20	5+	10.0	8.0	8.0%
30		5.5	5.5	7.5
40		2.0	1.5	6.7
50		1.1	1.0	6.0
60		1.0	.8	6.0



MOSERS'
Total Annual Benefits Payable June 30,1988
Tabulated by Attained Ages of Benefit Recipients

Attained Ages	Service Retirement		Disability Retirement		Death-in-Service Retirement		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
under 20	5	$ 19,663		$	3	$ 5,142	8	$ 24,805
20-24					5	9,257	5	9,257
30-34			1	912	3	6,080	4	6,992
35-39	1	4,035	7	11,881	2	5,016	10	20,932
40-44	1	1,800	16	31,943	8	12,238	25	45,981
45-49	1	917	24	60,007	9	15,585	34	76,509
50-54	4	6,023	45	114,013	28	61,094	77	181,130
55-59	190	831,499	102	307,751	38	80,055	330	1,219,305
60-64	1,100	5,683,893	193	595,437	48	101,315	1,341	6,380,645
65-69	2,535	10,872,447	34	99,952	60	133,624	2,629	11,106,023
70-74	2,425	9,558,855	7	15,539	32	45,054	2,464	9,619,448
75-79	1,772	6,087,137	5	7,111	32	36,869	1,809	6,131,117
80-84	1,002	3,416,154	1	3,544	11	14,585	1,014	3,434,283
85-89	409	1,426,144	1	1,038	1	724	411	1,427,906
90-94	179	521,412					179	521,412
95	17	43,582					17	43,582
96	15	28,805					15	28,805
97	6	11,671					6	11,671
98	4	11,416					4	11,416
99	1	991					1	991
100	5	16,549					5	16,549
Totals	9,672	$38,542,993	436	$ 1,249,128	280	$ 526,638	10,388	$ 40,318,759

MOSERS' Retirees and Beneficiaries Added and Removed

Ten Years Ending June 30, 1988

	Beginning Balance	Additions	Deletions	Ending Balance
FY 1988				
Retirees	9,514	1,322	875	9,961
Beneficiaries	576	96	21	651
FY 1987				
Retirees	9,133	749	368	9,514
Beneficiaries	520	81	25	576
FY 1986				
Retirees	8,777	765	409	9,133
Beneficiaries	477	60	17	520
FY 1985				
Retirees	8,463	692	378	8,777
Beneficiaries	435	51	9	477
FY 1984				
Retirees	8,091	711	339	8,463
Beneficiaries	394	57	16	435
FY 1983				
Retirees	7,688	761	358	8,091
Beneficiaries	353	50	9	394
FY 1982				
Retirees	7,198	813	323	7,688
Beneficiaries	312	55	14	353

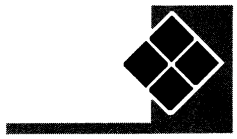
Information prior to Fiscal Year 1982 not available.

ALJRS' Retirees and Beneficiaries Added and Removed

Ten Years Ending June 30, 1988

	Beginning Balance	Additions	Deletions	Ending Balance
FY 1988				
Retirees	3	3	0	6
Beneficiaries	0	0	0	0
FY 1987				
Retirees	1	2	0	3
Beneficiaries	0	0	0	0
FY 1986				
Retirees	0	1	0	1
Beneficiaries	0	0	0	0

Plan established Fiscal Year 1985.



MOSERS'
Actuarial Present Values
Year Ended June 30, 1988

Actuarial Present Value, June 30	(1) Actuarial Present Value	(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
of Active Members			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	$ 1,775,401,620	$ 748,155,499	$ 1,027,246,121
Disability benefits likely to be paid to present active members who become totally and permanently disabled	30,591,442	17,626,700	12,964,742
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	104,405,343	48,963,056	55,442,287
Separation benefits likely to be paid to present active members			
— Refunds of member contributions	496,248		
— Deferred benefits	168,310,831		
Total	168,807,079	96,946,851	71,860,228
Active Member Totals	2,079,205,484	911,692,106	1,167,513,378
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			9,091,265
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			22,504,653
Retired Lives			370,132,734
Total Actuarial Accrued Liability			1,569,242,030
Assets used in Valuation			1,255,558,874
Unfunded Actuarial Accrued Liability			$ 313,683,156



Administrative Law Judges
Actuarial Present Values
Year Ended June 30, 1988

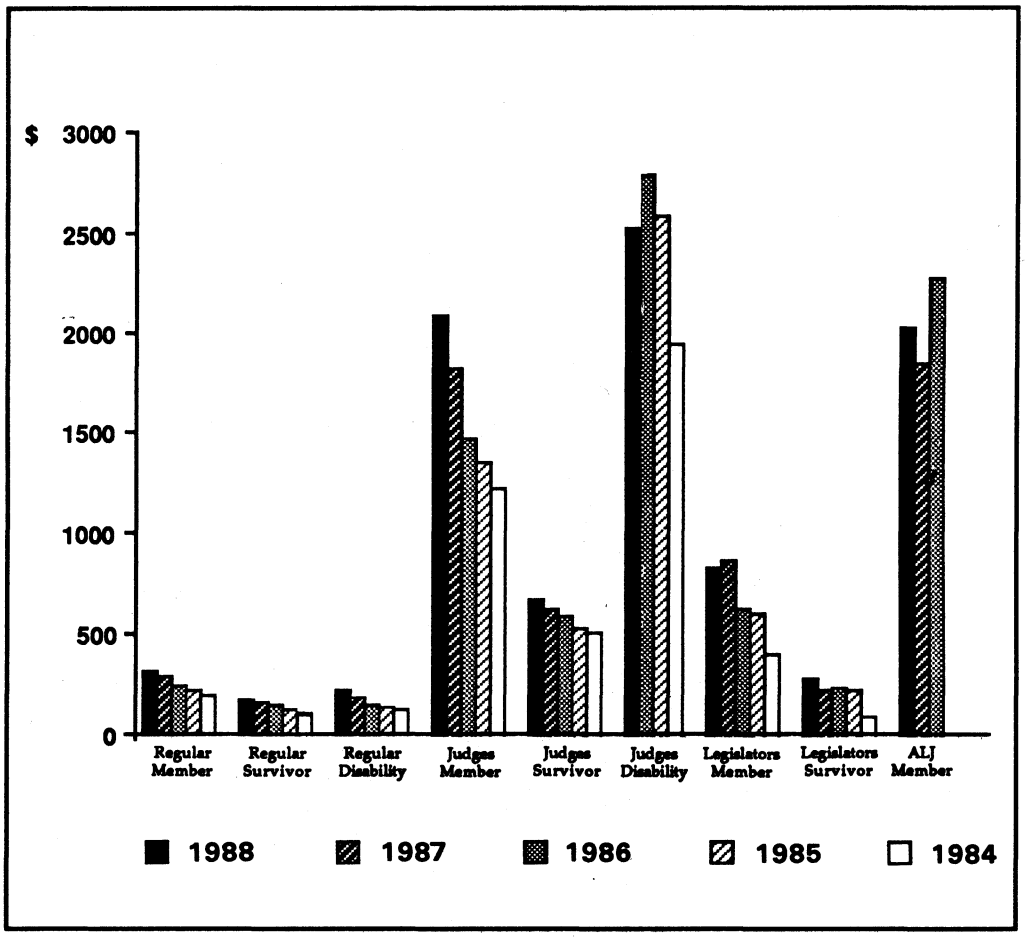
Actuarial Present Value, June 30	(1) Actuarial Present Value	(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
of Active Members			
Service retirement benefits based on service rendered before and likely to be rendered after valuation date	$ 5,536,905	$ 2,101,040	$ 3,435,865
Disability benefits likely to be paid to present active members who become totally and permanently disabled	156,278	128,584	27,694
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	326,829	189,755	137,074
Separation benefits likely to be paid to present active members	183,675	153,552	30,123
Active Member Totals	6,203,687	2,572,931	3,630,756
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			0
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			0
Retired Lives			1,752,412
Total Actuarial Accrued Liability			5,383,168
Assets used in Valuation			2,723,051
Unfunded Actuarial Accrued Liability			$ 2,660,117

Statistical Section

Average Monthly Benefit Amounts Past Five Years

Year Ending June 30, 1988

	FY 88	FY 87	FY 86	FY 85	FY 84
Regular					
Member	331	314	263	244	214
Survivor	194	181	167	147	138
Disability	238	205	168	156	140
Judges					
Member	2,107	1,845	1,495	1,375	1,240
Survivor	690	643	611	550	527
Disability	2,549	0	2,812	2,604	1,958
Legislators					
Member	850	883	643	623	417
Survivor	299	234	248	239	103
Admin. Law Judges					
Member	2,049	1,867	2,295	0	0





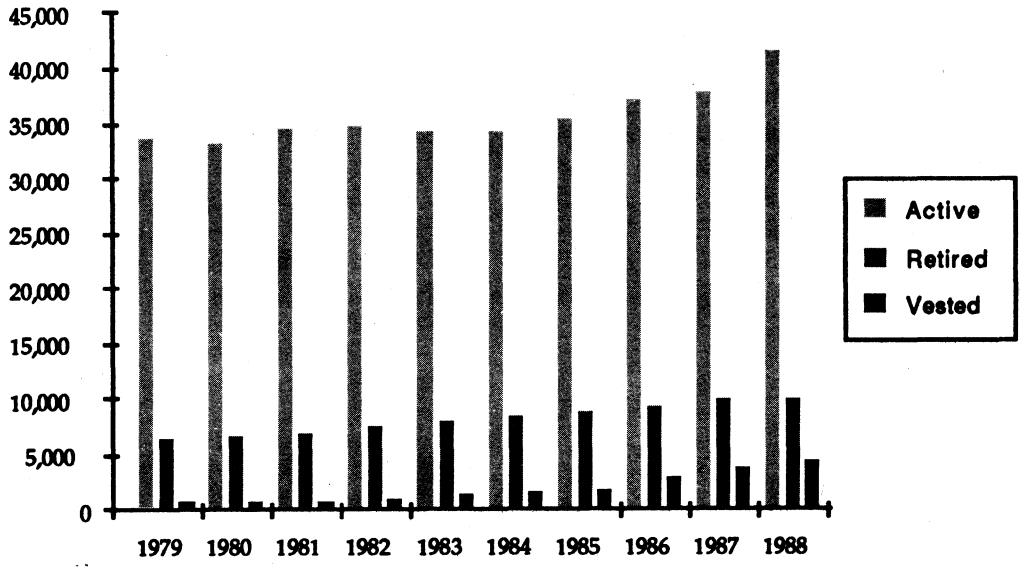
Benefit Expenses by Type
Last Ten Fiscal Years
Year Ending June 30, 1988

	FY 88	FY 87	FY 86	FY 85	FY 84
Retirement	$ 30,597,097	$ 20,206,526	$ 17,555,999	$ 15,271,986	$ 13,416,391
Survivor	1,365,209	1,097,245	921,403	770,414	659,585
Disability	1,767,075	1,333,313	1,334,181	1,196,489	1,054,161
Spec. Consultant	4,703,479	11,160,433	7,706,443	6,852,613	5,632,780
Judges	4,380,973	3,572,635	2,969,364	2,728,581	2,507,052
Legislators	617,267	505,894	340,393	264,663	180,859
Admin. Law Judges	104,757	52,983	11,412	—	—

	FY 83	FY 82	FY 81	FY 80	FY 79
Retirement	$ 11,488,165	$ 9,589,627	$ 8,066,358	$ 10,529,754	$ 8,895,326
Survivor	539,286	446,890	382,830	326,549	286,575
Disability	961,969	853,553	701,130	874,246	710,223
Spec. Consultant	5,267,274	4,877,446	4,953,102	—	—
Judges	2,343,787	2,170,611	2,014,547	2,522,279	2,018,871
Legislators	135,035	100,458	79,028	—	—
Admin. Law Judges	—	—	—	—	—

MOSERS' Plan Membership

Year Ended June 30, 1988



Missouri State Employees' Retirement System
P.O. Box 209
Jefferson City, Missouri 65102